

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SS-15 SY-05 PRS-01 USIE-00
SSO-00 NSCE-00 EB-08 USSS-00 (ISO) W
-----069086 172254Z /45
O 171715Z OCT 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 7834
TREAS DEPT WASHDC IMMEDIATE

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E.O. 11652: N/A
TAGS: OVIP (BLUMENTHAL, W. MICHAEL)
SUBJECT: BLUMENTHAL VISIT: PRESS ARRANGEMENTS

REF: STATE 238648

1. AS REQUESTED REFTEL, FOLLOWING ARE DRAFTS ARRIVAL/
DEPARTURE STATEMENTS PLUS PRESS STATEMENT WHICH SECRETARY
BLUMENTHAL MAY WISH TO USE FOLLOWING MEETING WITH PRIME
MINISTER ANDREOTTI.

2. ARRIVAL STATEMENT. MR. MINISTER, MR. AMBASSADOR, LADIES
AND GENTLEMEN, I AM DELIGHTED TO BE IN ROME AND IN ITALY.
I BRING PERSONAL GREETINGS FROM PRESIDENT CARTER, WHO
CONSIDERS CLOSE AND FREQUENT CONSULTATIONS WITH OUR ALLIES
THE CORNERSTONE OF AMERICAN FOREIGN POLICY. MY STOP IN
ROME IS THE LATEST OF A NUMBER OF OFFICIAL VISITS WHICH
HAVE TAKEN PLACE SINCE THE BEGINNING OF THE CARTER
ADMINISTRATION. YOU WILL ALL RECALL THE TRIP OF VICE
PRESIDENT MONDALE ONLY DAYS AFTER PRESIDENT CARTER TOOK
OFFICE, AND THE MOST FRUITFUL VISIT TO WASHINGTON THIS PAST
JULY BY PRIME MINISTER ANDREOTTI. IN RECENT WEEKS
YOU HAVE RECEIVED DEFENSE SECRETARY BROWN AND SPECIAL
TRADE REPRESENTATIVE STRAUSS, AND MINISTERS STAMMATI, DAL FALCO,
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FORLANI AND COLOMBO HAVE VISITED OUR SHORES.

3. OUR TWO COUNTRIES FACE MANY COMMON PROBLEMS. DURING
MY DISCUSSIONS TOMORROW WITH PRIME MINISTER ANDREOTTI,
MINISTERS STAMMATI, PANDOLFI AND OSSOLA AND GOVERNOR
BAFFI, WE WILL REVIEW THE PROGRESS OUR RESPECTIVE
COUNTRIES HAVE MADE TOWARD RESOLVING THE DIFFICULT

ECONOMIC PROBLEMS CONFRONTING UR. RETURNING TO A HEALTHY, NON-INFLATIONARY GROWTH IS TODAY THE MAJOR CHALLENGE FACING ECONOMIC POLICY MAKERS IN EVERY COUNTRY. BECAUSE OF THE GREAT DEGREE OF INTERDEPENDENCE WHICH THE WORLD HAS ACHIEVED, DECISIONS TAKEN IN ONE COUNTRY. IMPACT VIRTUALLY IMMEDIATELY ON THE ECONOMIES OF OTHER COUNTRIES. IT IS, THEREFORE, IMPORTANT THAT THE UNITED STATES AND ITALY, AS WELL AS OTHER MAJOR INDUSTRIAL COUNTRIES, MAINTAIN A CLOSE SYSTEM OF CONSULTATIONS IN AN EFFORT TO FORMULATE COMMON APPROACHES TO OUR SHARED PROBLEMS. WE MUST WORK INDIVIDUALLY AND COLLECTIVELY TO IMPROVE THE WORKING OF THE WORLD'S ECONOMIC SYSTEM. I LOOK FORWARD TO MY MEETINGS TOMORROW, AND TO CONTINUING THE DIALOGUE WITH A TRADITIONAL AND CLOSE ALLY.

4. DEPARTURE STATEMENT. MR. MINISTER, I WOULD LIKE TO THANK YOU AND YOUR GOVERNMENT FOR THE GRACIOUS HOSPITALITY YOU HAVE EXTENDED TO US DURING OUR STAY IN ROME. ALTHOUGH OUR VISIT WAS BRIEF, WE MANAGED TO COVER A BROAD RANGE OF TOPICS. WE HAVE BEEN IMPRESSED WITH THE PROGRESS YOU HAVE MADE TOWARD SOLVING SOME VERY TOUGH ECONOMIC PROBLEMS AND ARE ENCOURAGED BY YOUR DETERMINATION AND PERSEVERANCE WITH WHICH YOU ARE PURSUING YOUR ECONOMIC POLICIES. AS ONE TREASURY MAN SPEAKING TO ANOTHER, I WANT YOU TO KNOW THAT YOU HAVE MY COMPLETE UNDERSTANDING AS YOU FACE THE DIFFICULT LIMITED OFFICIAL USE

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TASK OF REDUCING INFLATION AND ESTABLISHING THE GROUNDS FOR STRONG, SUSTAINED ECONOMIC GROWTH. TO DO THIS EFFECTIVELY REQUIRES HARD DECISIONS, AND THESE DECISIONS MORE OFTEN THAN NOT FALL ON THE SHOULDERS OF THE TREASURY MINISTERS. WE HAVE FAITH THAT YOU AND YOUR GOVERNMENT WILL CONTINUE ON THE PATH OF SUCCESS IN THE COMING MONTHS AS YOU MOVE TOWARD RETURNING THE ECONOMY TO A HEALTHY, NON-INFLATIONARY GROWTH RATE. YOU ARE NOT ALONE IN YOUR EFFORTS. WE ARE ALL WORKING TOWARD THE SAME GOAL. THE GREATER THE NUMBER OF COUNTRIES WHICH ACHIEVE THESE GOALS, THE EASIER THE OVERALL TASK BECOMES. AGAIN, THANK YOU VERY, VERY MUCH AND I LOOK FORWARD TO SEEING YOU AGAIN SOON.

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5. PRESS STATEMENT. DURING MY MEETINGS WITH THE PRIME MINISTER AND WITH MINISTER STAMMATI AND GOVERNOR BAFFI EARLIER TODAY, I RECEIVED A DETAILED AND ENCOURAGING BRIEFING ON THE PROGRESS OF THE ITALIAN ECONOMY UNDER THE STABILIZATION PROGRAM ADOPTED DURING THIS PAST YEAR. THE PROGRESS MADE BY ITALY IN RESTORING BALANCE OF PAYMENTS EQUILIBRIUM AND REDUCING THE RATE OF INCREASE IN INFLATION IS IMPRESSIVE. UNFORTUNATELY, NO COUNTRY HAS FOUND THE MAGIC FORMULA WHICH WOULD PERMIT THE RESOLUTION OF OUR BALANCE OF PAYMENTS AND INFLATION PROBLEMS WITHOUT SOME SACRIFICE IN TERMS OF ECONOMIC GROWTH AND EMPLOYMENT. THE ITALIAN GOVERNMENT IS RIGHTLY CONCERNED ABOUT THE COSTS AT WHICH THE IMPROVEMENT IN THE BALANCE OF PAYMENTS AND INFLATION HAVE BEEN ACHIEVED. THE DECELERATION IN INDUSTRIAL PRODUCTION, THE CONTINUED UNEMPLOYMENT PROBLEM, PARTICULARLY OF THE YOUNG, AND THE FINANCIAL DIFFICULTIES FACED BY MANY INDIVIDUAL FIRMS ARE ILLUSTRATIVE OF THESE COSTS.

6. I WAS PLEASED TO LEARN THAT DURING THE COMING YEAR THE GOVERNMENT PLANS TO FOLLOW ECONOMIC POLICIES WHICH WILL CONTINUE TO ATTACK THE TWIN PROBLEMS OF INFLATION AND EXTERNAL DISEQUILIBRIUM WHILE AIMING FOR A RATE OF GROWTH WHICH WILL NOT EXACERBATE OTHER DOMESTIC ECONOMIC

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PROBLEMS. A MAJOR PART OF THIS EFFORT, I AM TOLD, WILL BE THE CONTAINMENT OF PUBLIC EXPENDITURES. AS WE HAVE ALL LEARNED FROM RECENT EXPERIENCE, LARGE GOVERNMENT BUDGET DEFICITS ARE NOT THE ANSWER TO STAGFLATION. SUCH DEFICITS AT BEST ONLY PERMIT THE POSTPONEMENT OF MORE FUNDAMENTAL ADJUSTMENTS AND REFORMS. MORE OFTEN, THEY AGGRAVATE THE UNDERLYING PROBLEMS. THIS IS NOT A PROBLEM UNIQUE TO

ITALY; IT IS A DILEMMA FACED BY MOST MAJOR INDUSTRIAL COUNTRIES.

7. I WILL BE MEETING THIS AFTERNOON WITH MINISTER OF FOREIGN TRADE OSSOLA AND MINISTER OF FINANCE PANDOLFI. I LOOK FORWARD TO ANOTHER TWO VERY USEFUL AND INFORMATIVE SESSIONS.

8. ADDITIONAL PRESS GUIDANCE FOLLOWS SEPTEL. EMBASSY INQUIRING AS TO WHETHER TOASTS REQUIRED; IF SO, APPROPRIATE DRAFTS WILL BE SUBMITTED. GARDNER

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